Communications Workers of America
AFL-CIO, CLC

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February 17, 1998

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

RE: Ex Parte Notice
CC Docket No. 97-211 (Application of WorldCom and MCI for Transfer of Control of MCI to WorldCom)

Dear Ms. Salas:

In accordance with the Commission's rules, CWA comments in CC Docket No. 97-211 were originally filed on January 5,1998 (as amended January 6, 1998) with the Secretary of the Commission for inclusion in the public record of these proceedings. On Friday, February 13, we mailed the attached letter to the cc's listed below regarding a February 4 Merrill Lynch Report recommending WorldCom stock.

Sincerely,

D Goldman

Debbie Goldman
Research Economist

Attachment

cc: Michael Kende
Michael Pryor
Susan Launer
Michelle Carey
Eric Bash
Matt Nagler
Jim Earl
Helen Domenici

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February 13, 1998

To: Michael Kende, Policy Division, Common Carrier
Michael Pryor, Policy Division, Common Carrier
Susan Launer, Policy Division, Common Carrier
Michelle Carey, Policy Division, Common Carrier
Eric Bash, Policy Division, Common Carrier
Matt Nagler, Competition Division
Jim Earl, Competition Division
Helen Domenici, International Bureau

Thank you for the opportunity to discuss our concerns.

A February 4 Merrill Lynch Report recommending WorldCom stock arrived in the mail today. Page 2 of the report (attached) emphasizes the points we discussed. The headline speaks volumes:

"MCI Merger Will Bring 2 Benefits: Significant Cost Savings & Reduced Intra-Industry Competition"

I've pulled two quotes from p2 which are right on target. Merrill Lynch is bullish because:

> "...as well as a significant cut back in the aggressive local market entry plans at MCI Metro which are now be [sic] redundant to existing and planned MFS and Brooks CLEC assets and activities."

> "On the local side, completion of these two mergers [Brooks & MCI] would mean that MCI's Metro unit, Brooks and WorldCom's MFS unit would no longer compete with each other. We therefore expect that local pricing will feel slightly less pressure and that significant overlapping expenditures (capital and marketing) will be eliminated.

Wall Street likes the deal because it lessens competition. Public policy makers should be concerned.

Sincerely,

George Kohl
Senior Executive Director

Attachment

4 February 1998

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First Vice President
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WorldCom Inc.

Ind. Consolidation+Core Growth+Synergies = Compelling GARP Stock

ACCUMULATE*

FEB 1 9 1998
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Reason for Report: Resuming Coverage

Long Term BUY

Price: $35 3/4
12 Month Price Objective: $45

Estimates (Dec)	1996A	1997E	1998E
EPS:	$1.02	$0.38	$0.85
P/E:	35.0x	94.1x	42.1x
EPS Change (YoY):		-62.7%	123.7%
Consensus EPS: (First Call: 16-Jan-98)		$0.39	$0.87
Q4 EPS (Dec):	NA	$0.14	
Cash Flow/Share:	$1.36	$2.12	$1.92
Price/Cash Flow:	25.3x	16.9x	18.6x
Dividend Rate:	Nil	Nil	Nil
Dividend Yield:	Nil	Nil	Nil

Opinion & Financial Data

Investment Opinion:	D-2-1-9
Mkt. Value / Shares Outstanding (bn):	$35.8 / 1000
Book Value/Share (Dec-96):	$13.70
Price/Book Ratio:	2.6x
ROE 1997E Average:	NA
LT Liability % of Capital:	25.5%
Est. 5 Year EPS Growth:	37.0%

Stock Data

52-Week Range:	$39 7/8-$21 1/4
Symbol / Exchange:	WCOM / OTC
Options:	Pacific
Institutional Ownership-Spectrum:	54.6%
Brokers Covering (First Call):	23

ML Industry Weightings & Ratings**

Strategy; Weighting Rel. to Mkt.:		
Income:	Overweight	(07-Mar-95)
Growth:	Overweight	(07-Mar-95)
Income & Growth:	Overweight	(07-Mar-95)
Capital Appreciation:	In Line	(25-Jul-95)
Market Analysis; Technical Rating:	Above Average	(24-Nov-97)

*Intermediate term opinion last changed on 01-Oct-97.
**The views expressed are those of the macro department and do not necessarily coincide with those of the Fundamental analyst.
For full investment opinion definitions, see footnotes.

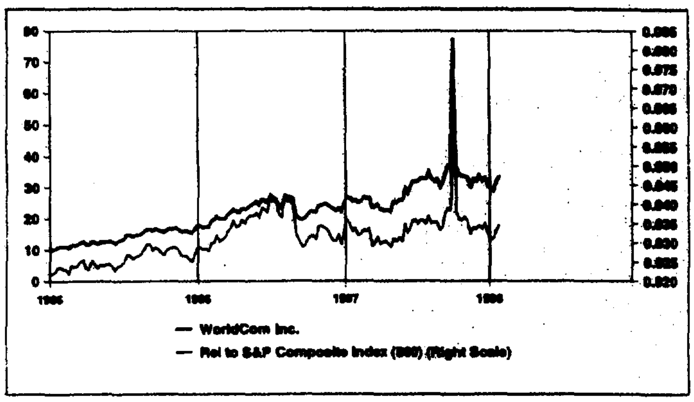
Investment Highlights:

- **Resuming coverage of WCOM with an int. term Accumulate & LT Buy ratings (D-2-1-9).**
- **Stock selling at what we view as attractive multiples of '99E: 17.9x reported EPS, 12.9x pre-goodwill EPS, and 7.3x EBITDA. Relative to 25% est. 5 yr EPS growth (off '99), WCOM shares represent "growth at a reasonable price" (GARP) with a P/E relative to S&P 500 of 0.9x with 5 yr growth 4.2x that of S&P 500 (6% vs. 25% for WCOM).**
- **WCOM's investment case is strengthened by the MCI merger which adds 25% to pre-merger '99E EPS, due to hard synergies accounting for 1/2 of EPS growth, continuing growth of internet profits, inherent low exposure to RBOC entry & potential cash from asset sales.**
- **12 month price objective of $45 based on a 22.5x target multiple on our '99 EPS est. of $2.**

Fundamental Highlights:

- **Brooks acq. on 1/29 marks end of phase 1 of WCOM's industry consolidation strategy while accelerating local network deployment 1-2 yrs.**
- **Merger with MCI (phase 2) remains on track for 3Q98 close. Hard (cost) synergy estimates of $2.5B in '99 growing to over $5B within 5 yrs. remain unchanged. Soft (revenue) synergies are upside to our estimates.**

Stock Performance



Merrill Lynch & Co.
Global Securities Research & Economics Group
Global Fundamental Equity Research Department
#97280 1/435200/435100/435000

RC#60103703

Resuming Coverage Of WorldCom With A 2-1 Opinion; $45 Price Objective Over The Next 12 Months

8 Key Reasons We See WorldCom As A Key Large Cap Stock Holding

Our recommendation of WorldCom is based on 8 key reasons which we think uniquely positions the stock as a key large cap stock:

- **"Growth At A Reasonable Price"**

#1. "Growth At a Reasonable Price" Attractive Valuation Relative To S&P 500 And Other Long Distance Companies

WorldCom's current valuation stacks up quite attractively on a number of different metrics including P/E (both on a reported basis as well as cash earnings), P/E to growth, EBITDA and EBITDA to growth as detailed in table 6 below. In addition, WorldCom currently trades at a P/E discount to the S&P 500 (based on '99E), a valuation disparity t hat is especially striking when one considers the wide disparity — over four fold — in 5 year forecasted growth rates (6% for the S&P vs. 25% for WorldCom).

- **MCI Merger Will Bring 2 Benefits: Significant Cost Savings & Reduced Intra-Industry Competition:**

#2. Merger With MCI Should Yield 2 Key Benefits — Cost Synergies & Reduced Competition

A) **Potential Cost Savings:** We continue to estimate that $2.5 billion in total cost synergies (see table 1 below) will be realized in the first full year ('99) following the merger with MCI, increasing to over $5 billion annually by 2002. The bulk of these synergies are to be provided via network cost savings, overhead/SG&A savings as well as a significant cut back in the aggressive local market entry plans at MCIMetro which are now be redundant to existing and planned MFS and Brooks CLEC assets and activities. The net impact on '99 earnings is forecasted at a 25% accretion to EPS ($2.00 vs. WorldCom "stand alone" forecast of $1.60).

Table 1: Est. EBITDA Savings - MCI Merger Only

($ in millions)	1999E	2000E	2001E	2002E
Line Cost Savings				
MCI Local	500	725	975	1,200
Domestic LD	600	1,000	1,400	1,800
International	400	700	1,000	1,300
SG&A	1,000	1,100	1,200	1,300
Total EBITDA Synergies	2,500	3,525	4,575	5,600

Source: Merrill Lynch estimates

B) **Reduced Intra-Industry Competition:** Mergers with MCI and Brooks will reduce, on the margin, the level of intra-industry competition in both the US LD and local markets via the reduction in the number of major competitors. In the LD sector, we hope for a slightly more rational approach to residential marketing expenditures and pricing with a new focus on profitability, rather than a single minded pursuit of pure market share.

On the local side, completion of these two mergers would mean that MCI's Metro unit, Brooks and WorldCom's MFS unit would no longer compete with each other. We therefore expect that local pricing will feel slightly less pressure and that significant overlapping expenditures (both capital and marketing) will be eliminated.

- **Wide Investor Appeal:**

#3. Wide Investor Appeal: Attractive P/E Valuation Brings In Traditional Growth Investors

WorldCom's addressable investor base was vastly expanded to once again include traditional growth investors, many of whom were unable to invest in WorldCom due to current P/Es in excess of 40x.